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Grain Prices Sharply Lower Following USDA Reports

The USDA Grains Supply and Demand Report, released on July 12, provided more negative numbers for future corn and soybean prices.

The report indicates high levels of projected-ending stocks for both corn and soybeans by September 1, 2017. The report also verified the expectations for very good national corn and soybean yields. Market prices have dropped substantially in the past few weeks, which will likely have a significant financial impact on farm operators in the Upper Midwest.

Based on the July 12 report, the USDA is projecting that 2016-2017 corn-ending stocks will rise to nearly 2.1 billion bushels by September 1, 2017, which would be the largest corn carryover level in many years. The carryover level is based on 86.6 million harvested corn acres in the U.S. for 2016 and a U.S. corn yield of 168 bushels per acre--resulting in an estimated 2016 total corn production of over 14.5 billion bushels. This compares to a total U.S. corn production of 13.6 billion bushels in 2015, and 14.2 billion bushels in 2014.

The USDA is now projecting the 2016-2017 market-year-average (MYA) corn price to be in a range of \$3.10 to \$3.70 per bushel, or an average of \$3.40 per bushel. The marketing year for the 2016 crop year will run from September 1, 2016 through August 31, 2017. The final 2015-2016 national MYA price is now estimated at \$3.65 per bushel and the final 2014-2015 MYA price was \$3.70 per bushel. These lower annual corn MYA prices followed much higher corn MYA prices of \$4.46 per bushel in 2013-2014 and \$6.89 per bushel in 2012-2013.

Based on the June 30 USDA Acreage Report, U.S. soybean acreage for 2016 will reach a record level of 83.7 million acres, with 83 million acres being harvested. In the July 12 Supply and Demand Report, the USDA projected a U.S. soybean yield of 46.7 bushels per acre in 2016, which if achieved, would lead to a total U.S. soybean production of 3.88 billion bushels this year. The USDA is now estimating soybean-ending stocks at the end of the 2016-2017 marketing year to be at 290 million bushels, which would be a decline from the 350 million bushel carryover estimated for 2015-2016. However, the 2016-2017 soybean-ending stocks would be

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considerably higher than the 190 million bushels for 2014-2015, and significantly higher than the soybean-ending stocks in the two-to-three years preceding that.

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The USDA is estimating the national MYA soybean price for the 2016-2017 marketing year to be in a range of \$8.75 to \$10.25 per bushel, or an average of \$9.50 per bushel. This compares to an estimated soybean MYA price of \$9.05 per bushel for the current 2015-2016 marketing year, and a final MYA price of \$10.10 per bushel for 2014-2015. The 2016-2017 MYA price estimate is well below the final MYA soybean prices of \$13.00 per bushel in 2013-2014, and \$14.40 per bushel in 2012-2013.

One piece of good news in the July 12 USDA Supply and Demand Report is the projected increase in the demand for both corn and soybeans in the 2016-2017 marketing year. Total corn demand is expected to increase to 14.2 billion bushels for 2016-2017, with expected increases in both feed usage and exports, as well as a slight increase in corn used for ethanol production. U.S. corn demand in both 2015-2016 and 2014-2015 was near 13.7 million bushels. Soybean demand for 2016-2017 is expected to increase to nearly 4 billion bushels, with solid increases projected in both domestic usage and export demand. This compares to total soybean demand of 3.8 billion bushels in 2015-2016.

Both "old crop" and "new crop" corn and soybean prices have reacted in a very "bearish" fashion to the crop-acreage trends, and the identified levels of grain stocks. Chicago Board of Trade (CBOT) prices for December corn futures closed at \$3.52 per bushel on July 15, which is a drop of \$0.73 per bushel from \$4.25 per bushel on June 16. December 2016 CBOT corn futures closed at \$3.58 per bushel on July 15, which was close to the lowest level during the current calendar year for "new crop" 2016 corn. By comparison, CBOT December corn futures were at \$4.45 per bushel on July 10, 2015, and \$3.84 per bushel on July 11, 2014.

Soybean futures prices on the CBOT have also dropped quite dramatically since the June 30 Crop Acreage Report, which shows record U.S. soybean acreage for 2016, along with increasing soybean-ending stocks for the 2015-2016 marketing year. The CBOT soybean futures price for "new crop" 2016 soybeans closed at \$10.57 per bushel on July 12, following the latest USDA Supply and Demand Report, which compares to \$11.53 per bushel on June 30, the day of the USDA Acreage Report. The CBOT November soybean futures had risen from less than \$9.00 per bushel in early March to over \$11.50 per bushel by late June. The current CBOT November soybean futures price compares to \$10.22 per bushel on July 10, 2015 and \$11.03 per bushel on July 9, 2014.

Local forward-cash prices for "new crop" 2016 corn have dropped to near \$3.00 per bushel or lower at many locations in the Upper Midwest, which is well below the "breakeven level" for most corn producers. By July 15, the local current cash-corn price for remaining "unsold" 2015 corn in on-farm storage had also dropped to near

\$3.00 per bushel at many locations in the northern Corn Belt, which compares to over \$3.80 per bushel at a lot of these same locations in mid-June.

The USDA does not track the percentage of bushels in storage that have or have not sold. However, most analysts feel that a large percentage of the 2015 corn that is still in farm storage is probably not priced. This could result in a large loss of financial opportunity to farm operators. For some producers it is the second year in a row that they have endured an extreme corn price drop after July 1 on their unpriced corn from the previous harvest season, which was being held in on-farm storage for future sales.

For more information, contact Kent Thiesse, Farm Management Analyst and Vice President, MinnStar Bank, Lake Crystal at: 507-381-7960 or kent.thiesse@minnstarbank.com.

Sign-Up for Farmfest

ICBM is looking for volunteers for Farmfest, August 2-4, at the Gilfillan Estate in Redwood County.

Farmfest is the largest outdoor agricultural event in the state and ICBM will once again have a booth representing Minnesota's community banks. We need your help to staff it.

There are still spots open at the ICBM booth. Contact Kathy Burton at kburton@icbm.org to sign up for a time slot. Visit the Farmfest [website](#) for more information about the show.

Minnesota Pork Board Hosting Annual Lenders Meeting

[Register](#) now for the Minnesota Pork Board's Annual Lenders Meeting in Mankato.

The event takes place July 26 at the Country Inn & Suites.

The agenda for the event can be found [here](#).

For more information, contact Jill Resler at 507-345-8814 or jill@mn-pork.com.

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